

Rasameel - Annual Review 2006-2007

His Highness
SHEIKH SABAH AL AHMED AL JABER AL SABAH
The Amir of the State of Kuwait



His Highness
SHEIKH NAWAF AL AHMED AL JABER AL SABAH
The Crown Prince



His Highness
SHEIKH NASSER AL MOHAMMED AL AHMED AL SABAH
The Prime Minister



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

"So be afraid of Allah; and Allah teaches you. And Allah is the All-Knower of each and everything"

صِدْقَةُ اللَّهِ الْعَظِيمِ

AlBaqarah verse 282

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Board of Directors

Mr. Mansour H. Al-Mubarak	Chairman
Mr. Issam Z. Al-Tawari	Vice Chairman-CEO
Mr. Ahmed A. Marafie	Member of the Board
Mr. Mahmoud A. Al Aradi	Member of the Board
Mr. Nasser A. Al Qahtani	Member of the Board
Mr. Othman I. Al Askar	Member of the Board
Mrs. Salwa S. Al-Abdul Razzaq	Member of the Board

Sharia members

Sh./Dr. AbdulSattar A. AbuGhudah	Chairman
Sh./Dr. Issa Zaki	Member
Sh. AbdulSattar A. Al-Kattan	Member

Key Shareholders

Leading financial institutions, commercial entities, quasi governmental agencies and prominent individuals chose to be shareholders of Rasameel for its unique concept, ubiquitous license and prospects, which include the following:

Shareholder	Percentage
Gulf Investment Corporation	10.000%
The Commercial Bank of Kuwait	10.000%
A'Ayan Leasing and Investment	10.000%
Abdullatif Al Essa Group, Saudi Arabia	5.000%
First Takaful Insurance Company	5.000%
Awqaf Foundation	5.000%
Kuwait Investment Company	5.000%
Baghlaf Group, Saudi Arabia	4.000%
Osoul Leasing and Finance	3.333%
Al Madar Finance and Investment	3.867%
Withaq Takaful Insurance	2.500%
Al Dar Asset Management	1.667%
Commercial Facilities Company	1.667%
Saud Abdulaziz Al Babtain & Bros	1.667%
Zakat House Kuwait	1.667%
Sharjah Cement and Industrial Development, UAE	1.667%
Warba Investment Company	1.667%

Chairman's Message

On behalf of myself and my fellow members of your Board of Directors, I am pleased to welcome you to our first Annual General Meeting to present to you the first Annual Report of our Company including the Auditor's Report, the Annual Financial Statements and the Sharia Supervisory Board's Report, as well as to report the most prominent achievements of our Company.

During last year, the Kuwaiti economy has witnessed a significant growth in different sectors, primarily ascribed to the policy adopted by the Kuwaiti government, in addition to the enactment and amendment of legislations to encourage local and foreign investments alike, mega projects to develop the infrastructure, privatization initiatives and embracing foreign investment. This trend has positively impacted the Islamic investment sector which continued to record unprecedented boom during the last decade, its leap reflected on the establishment of a number of new investment companies, soliciting a big number of investors and launching various Islamic investment services locally, regionally and internationally.

Despite some ambitious initiatives that aim at developing traditional Islamic products and devising new products and services by certain market participants, these remained hostage to traditional investment services, particularly as the growth of Islamic investment sector has given clear and unquestionable indicators for the local and regional market's demand for such services.

Here was the starting point ... The starting point of Rasameel to play the complementary role and establish the parallel market for Islamic finance by introducing a package of ultimately new Islamic products and services into the local market.

Conceptually, the profits of any company in its first constitutional year are expected to be small, if not losses, then such profits tend to grow in subsequent years. Yet,

such concept differs now. As of March 31st 2007 we have realized a net profit of KD 1,210,091, being 42% of gross revenues (Net profit of KF 4.03 per share compared to that of KF 1.83 projected in the prospectus). Moreover, the net profit amounted to KD 548,750 at 19% of the gross revenues as mentioned in the prospectus (amended for 15 months). Moreover, gross revenues amounted to KD 2,867,950 compared to KD 2,832,500 projected in the prospectus (amended for 15 months), whereas the total expenses amounted to KD 1,657,858 compared to KD 2,283,750 as mentioned in the prospectus (amended for 15 months).

Company's assets totaled KD 31,535,170 against KD 36,588,000 projected in the prospectus. Total liabilities amounted to KD 317,569 compared to KD 6,150,000 projected in the prospectus. Shareholders equity totaled KD 31,217,601 compared to KD 30,438,000 projected in the prospectus.

We have adopted new visions, innovative products and definite objectives including acquiring of and investment in assets managed for cash, structured finance, restructuring companies' assets and placement of shares in addition to providing specialized financial advisory and managing investment funds and portfolios. Thanks be to Allah the Almighty, then to my fellow members of Board of Directors, we were able to complete the Company's corporate governance and management structures and staffing it with qualified, experienced and competent cadres that are seasoned in investment and banking sectors. In addition, we have been documenting an integrated risk management system, policies and procedures manual for systematic guidance of Company's activities to fulfill the requirements of controlling and supervisory bodies and for organizing internal and external work relations.

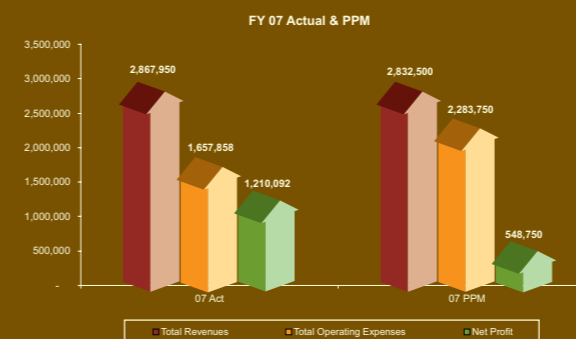
All these factors worked together, gives us such successful startup and ambitious and rewarding transactions with minimal risks, which was reflected in our financial bottom lines and the net profit realized, amounting to Kuwaiti Dinar 1,210,091 for the last financial year, despite being the first year of our incorporation. Undoubtedly, this achievement is bolstered by the efforts and dedication of my fellows, the employees of the Company as well as the strategy adopted. Moreover, Rasameel will strive to devise new investment solutions, tools and products, enhance its market share, fulfill the requirements of alternative investment products, develop and advance the sukuk and securitization market in Kuwait and the whole region and introducing more structured assets to meet market requirements.

Lastly, on behalf of the Board of Directors, I take this opportunity to extend sublime thanks and gratitude to His Highness Emir of Kuwait, His Highness the Crown Prince, His Highness the Prime Minister and to our righteously guided government praying Allah the Almighty to bestow peace and welfare on our country.

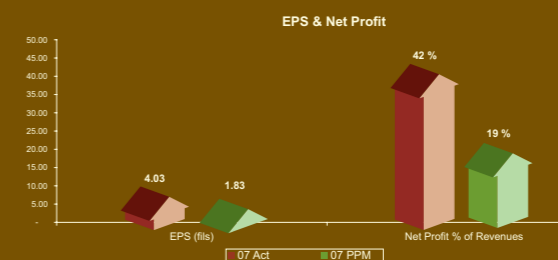
Thanks and acknowledgment is also due to my fellow members of the Board of Directors, the praiseworthy scholars, Chairman and Members of the Sharia Supervisory Board, the Company's shareholders for their consistent support and the staff members of the Company who laid the pillars of your Company with their efforts and dedication in line with the mission and vision of our Company that also contributes positively to our national economy.

May Allah grant His blessings to all of us...

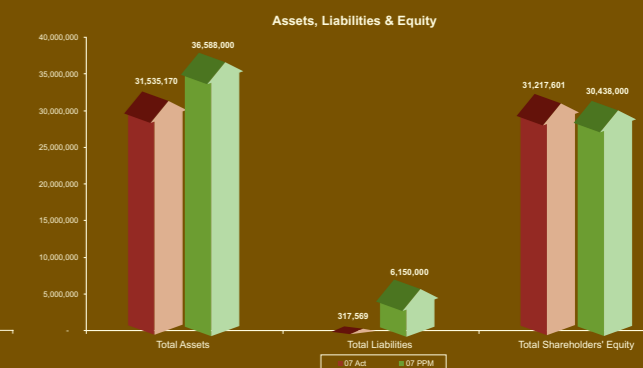
Mansour H. Al Mubarak
Chairman



Comparison between the Actual and PPM in terms of total revenues, total operating expenses, and net profit reveals that the company recorded a net profit of KD 1.2 Millions for 15-month period against adjusted PPM figure of KD 548k only.



RASAMEEL announced EPS of 4.03 Fils compared to PPM 1.83 Fils and net profit of 42% of total revenues against 19% as per PPM.



The total assets is less than PPM by KD 5m due to the less leverage in FY07 compared to PPM and the total liabilities is also less than PPM by KD 5.8m for the same reason. Shareholders' equity is higher than PPM by KD 780k.

CEO's message

Dear shareholders and stakeholders,

It gives me great pleasure to meet with you on the occasion of our first Annual General Assembly and report to you after a whole year of painstaking efforts, in the establishment and building of our company until we have something praiseworthy to offer to you as our first and foremost partners along the way of our progress and growth.

Undeniably, we have encountered stiff challenges, initially with the incorporation of the company and then with launching of our various products and services that are new to the local market. Yet, our belief that challenges diminish before ambitions and that determination is brought about only by determined people, supported by our trust in you and in our own abilities is what enabled us to set the primary foundation for Rasameel, its objectives, visions, strategies and plans. This could only be achieved with our excellently qualified and experienced human resources whose efforts are the catalyst behind the market position your Company enjoys today, as acknowledged by our competitors and clients alike.

Nothing can speak of achievements as the undisputed language of the figures. Thus, I am pleased to present to you the progeny of 2006/07 in the form of the Financial Statements of our Company, in addition to a review of our audited activities during the last financial year, and also about our future plans at the local and regional levels.

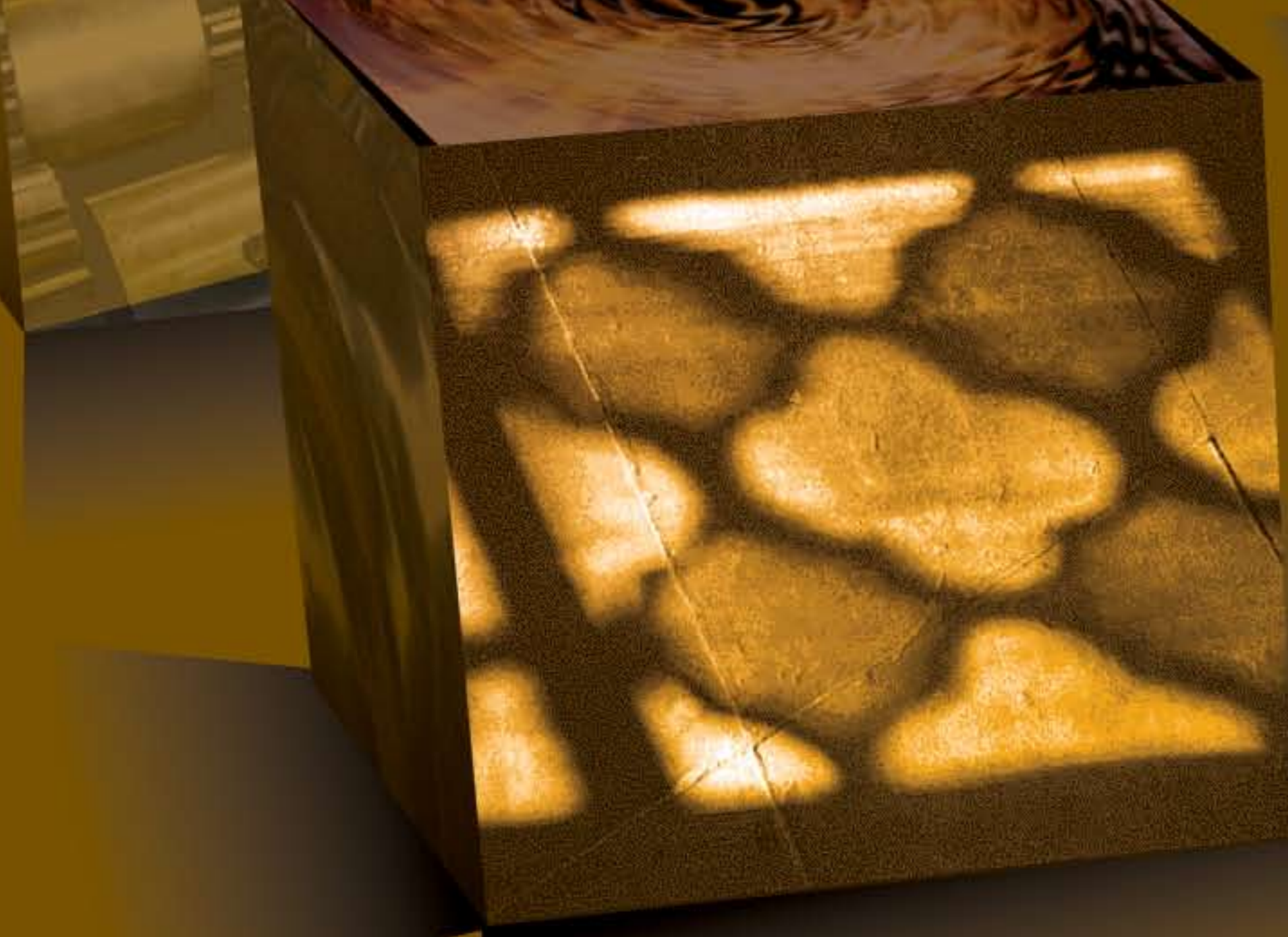
Aside from the profit and loss account, our Company has realized other veritable achievements. Our Company was the only company in the local market to adopt alternative financial tools, through the acquisition of assets and development of financial markets in the region by means of introducing tradable financial products and issues as alternative investment and financing opportunities. Moreover, Rasameel strives to bring about integration in the framework of issuing Sukuks, so as to provide

a model of investment returns that is able to withstand risks, however variant and whatever its causes. The acquisition of income-producing assets takes various forms in Rasameel, including securitization and other forms of structured fixed income securities.

Nonetheless, Rasameel's role will not be limited to that extent, as our quest for introducing innovations to the market will never cease, while we continue to strive at setting the required legal framework in the targeted markets, to cover our innovative products, in such a manner that positions us advantageously in such targeted markets, while also enhancing our presence in the local market, the GCC and the MENA region by means of expanding our activities to penetrate those markets with competitive advantage, with parallel communication with the peers in our money market. This is the greatest challenge ahead for Rasameel, not merely competing with market participants. In this regard, Rasameel will continue to explore the future, optimistically and confidently, wherever rewarding investment opportunities are identified.

In conclusion, I seize this opportunity to present the results of our work to you and to extend on behalf of our employees and myself, our thanks to the Chairman and to our Board of Directors for their diligent efforts, their guidance and their valuable communication throughout the year. My thanks are also due to all our staff members, for their valuable contribution, in turning turn our corporate ambitions into reality. May Allah grant His blessings to all of us,

Issam Z. Al-Tawari
Vice Chairman - CEO



Sharia statement

In the name of Allah, the Compassionate, the All Merciful
Report of Sharia Supervisory Board of Rasameel Structured Finance
On the Company's Activities During the Financial Year Ended March 31st 2007

Praise is to Allah, Peace and Prayers be upon our Master Muhammad, His family and companions.

Messrs. Shareholders of Rasameel Structured Finance Co.
Peace be upon you,,,

Pursuant to the decision of the General Assembly to appoint a Sharia supervisory board and assigning the same to us, we present to you the Sharia Board's report as follows:

We have observed the principles adopted and the contracts pertinent to the transactions and implementations launched by Rasameel Structured Finance during the reporting period. We have also duly conducted our supervision to express opinion on whether the Company has complied with the rules and principles of Islamic Sharia as well as fatwa, decisions and guidelines issued by us.

Moreover, the responsibility for compliance with the rules and principles of Islamic Sharia is shouldered by the Management. Our responsibility is limited to expressing an independent opinion based upon our observance of the Company's transactions, hence, reporting to you.

We have conducted our observation that included examining the documents and procedures adopted by the Company on the basis of inspecting each type of transactions separately. Moreover, we have planned and executed our observation

to obtain all the information and explanations that we deemed necessary to provide us with the evidences sufficient to give a reasonable assurance that the Company did not infringe the provisions and principles of Islamic Sharia.

In our opinion,

The contracts and transactions concluded by the Company during the financial year ended 31/03/2007 that we have observed were carried out pursuant to the provisions and principles of Islamic Sharia.

The Company did not realize any gains from sources or in manners banned by the provisions and principles of Islamic Sharia.

Reckoning Zakat was made pursuant to the provisions and principles of Islamic Sharia.

We pray Allah the Almighty to grant us right guidance.
Peace be upon you,

Sh./Dr. AbdulSattar A. AbuGhudah
Chairman of the Sharia Supervisory Board

Sh./Dr. Issa Zaki
Sharia Supervisory Board Member

Sh. AbdulSattar A. Al-Kattan
Sharia Supervisory Board Member

Date: 15th April 2007

The Year in review

In the age where change is its constant feature, and with the anticipation and projections wave that accompanied the Islamic investments markets for long in the region, it was necessary that new entities emerge to act as leaders of development in a market that hinges on the development of traditional products and services and lacks innovation.

Here was the starting point ... Rasameel Structured Finance Company

Rasameel Structured Finance was established as a Kuwaiti Shareholding Company on January 2006 pursuant to the Commercial Companies Law, and is subject to the supervision of the Central Bank of Kuwait as an investment Company. Moreover, Rasameel is the only company in the State of Kuwait which is licensed to carry out securitization activities, together with other conventional investment activities pursuant to the provisions of noble Islamic Sharia'a.

Rasameel ... Starting point and spread

As we have mentioned, the timing of establishing the Company was of paramount importance in generating the startup power, in addition to the experience of the Company's Board of Directors and executive management. Since the first day of its operation, Rasameel strives through a clear vision to set up a finance parallel market that assimilates all finance requirements of individual and corporate clients. Then began the diversification of activities starting with securitization, structured finance, investments management and traditional Sharia'a compliant services performed by specialized team equipped with the knowledge and developments of Islamic investment and finance on local and international levels.

During a short period, the Company has expanded beyond all expectations on the local level. Such achievements are clear in its below financial results. This encouraged the Company to adopt expansion plans on the local and regional levels based on scrupulous study and strong capital base that enables the Company to readily expand in any promising market and to revive markets that lack the products and services rendered by Rasameel ... such as the case is in Kuwait and the region.

Rasameel ... Achievements and the language of figures

Conceptually, the profits of any company in its first constitutional year are supposed to be small, if not losses, then such profits tend to grow in subsequent years. Yet, such concept differs now. As of March 31st 2007, we have realized net profits amounting to KD 1,210,091 of the net revenues from agencies, securitization transactions, Murabaha transactions amounting to KD 1,902,019. On the other hand, revenues from arrangement and consultancy services fees amounted to KD 381,029, and other revenues amounted to KD 434,732. As for the Company's assets, they aggregately totaled KD 31,535,170 since gross real estate investments, investments retained until maturity, available-for-sale investments and other investments amounted to KD 2,427,003 as of 31st March 2007. During the year, Rasameel has successfully undertakes the following deals:

- Co-arrange of US\$30 million – 5 years sukuk issue for Kuwait Commercial Companies Complexes Sukuk Company.
- Arranger of KD 10 million financing facility for Burj Hajar Company in Saudi Arabia.
- Active short term financing facilities with a number of local market players.
- Acting as financial advisor to Abyaar Real Estate Development Company in assisting the company in raising debt financing for their projects in United Arab Emirates.
- In November 22, Rasameel signed an agreement with Islamic International Rating Agency to conduct an independent evaluation on Rasameel credit rating, corporate governance, and Sharia quality rating.
- In the process of promoting awareness on the benefits asset securitization in the market, Rasameel hold its first securitization forum in March 2007 under the patronage of H.E. Eng. Falah Al-Hajri Minister of Commerce.

Rasameel ... Transactions and operation

On the level of transactions and operation, Rasameel has engaged in investment and securitization transactions that totaled KD 163 millions which reflects the robust operational performance of the Company and the success of its strategy on the one hand, and the fact that the market embraced the new products and services launched by Rasameel on the other hand, and this is the most important part in our work on which we heavily rely in our expansion plans locally and regionally, God willing.

Rasameel ... Securitization and other products

Undoubtedly, there is a gap between available finance opportunities and the ability of current product to realize them. Therefore, we had to keep pace with the international trend of securitization which prevails in several countries, including Arab countries. In this respect, Rasameel has deeply pondered the issue and was surprised that local companies target the international market for finance despite availability of liquidity in many of them.

Yet, Rasameel's being the specialized in securitization in local market did not make the Company overlook provision of conventional investment products and services including Murabaha investments, agency and conducting structured finance and consultancy services that have all greatly contributed to the Company's revenues as we mentioned in the financial results section.

Rasameel ... Investment Banking

Rasameel practices its businesses under the sole umbrella of investment banking which encompass as well consultancy services on sukuk issuance and assisting other companies to obtain finance through other Sharia-compliant structures, in addition to investing liquidity surplus from managed funds in Islamic shares and instruments, listed or non-listed, and in other short term Islamic products.

Noteworthy, the efforts of this sector along the year were crowned with success beyond expectation through medium term transactions as well as transactions of

trading in special shares. Chief among the successes were the strategic alliances we could establish with big international institutions with the purpose of establishing and distributing transactions and spreading awareness of Islamic securitization as an alternative of conventional finance products. Among the assets on which this sector focused this year were the commercial, residential real estate, vehicle, airplanes and other cash flow generating assets which can be structured to comply with the provisions of Islamic Sharia.

Rasameel ... Corporate Governance

Rasameel strives to incorporate best corporate policies in all critical areas, on a consistent basis. The following aspects are currently implemented in the Provisional Policies & Procedures in force, which aspects are being incorporated in the Corporate Manual currently under compilation by a leading consulting firm.

Internal and external 'Due Diligence' practices incorporate detailed scrutiny and analysis of all core financial and non-financial aspects, commensurate to the specific activity / product and of the pertinent risks inherent to such specific activity / product. Proposal Formats and mandatory attachments as incorporated in the Department Manuals reflect the depth and quality of the due diligence process.

Corporate Manual outlines Polices and Procedures right from the decision-making process until clearance by Legal Counsel, the Sharia'a Board; also the disbursements, subsequent settlements and the entire Asset Administration Chain, complete with all necessary checks and controls at each pertinent level, but without sacrificing either the efficiency or the speed of business decisions or of the related actions.

Know Your Customer Policy and Anti Money Laundering and Financing of Terrorism Policy, are both aligned to Rasameel ethics and also in compliance with the regulations of The Central Bank of Kuwait. Our Account Opening Forms, Settlement Procedures and Customer Acceptance Process each incorporate the spirit and essence of these Policies.



Risk Exposure Matrix ensures a balanced risk exposure, by products, business sectors, counterparties and countries, incorporating prudent principles and also aligned to the regulations of the Central Bank of Kuwait.

Requirement of periodical review of different types of Asset Portfolios ensures compliance with core corporate guiding principles, including the quality of assets, maturity profile, 'yield' as measured against 'opportunity cost', the overall level of Asset Utilization and Risk Acceptance Parameters as per Rasameel's Business Model and Strategy.

Periodic Gap Analysis Reports help identify sensitive Asset/Liability tenor mismatches, allowing timely action to maintain a healthy Liquidity Profile.

We endeavor to fulfill the requirements for periodic Management Reporting System to update Management about the progress and the latest status of Company's financial balance and profitability. Also External Reporting Systems have been incorporated in compliance with Regulators.

We follow prudent safeguards for Disaster Management & Recovery. Disaster Management & Recovery Committee is headed by our CEO and appropriate Policies and Procedures to cover this sensitive aspect is being developed by our Support Services Group.

Rasameel ... In regional and international circles

During that year, Rasameel strived to build its image on local, regional and international levels by means of its participation in local, regional and international circles, symposiums and conferences. In this respect, Rasameel has presented effective work papers that handle the developments of securitization market and Islamic investment services. The benefits realized by the Company from participation in such

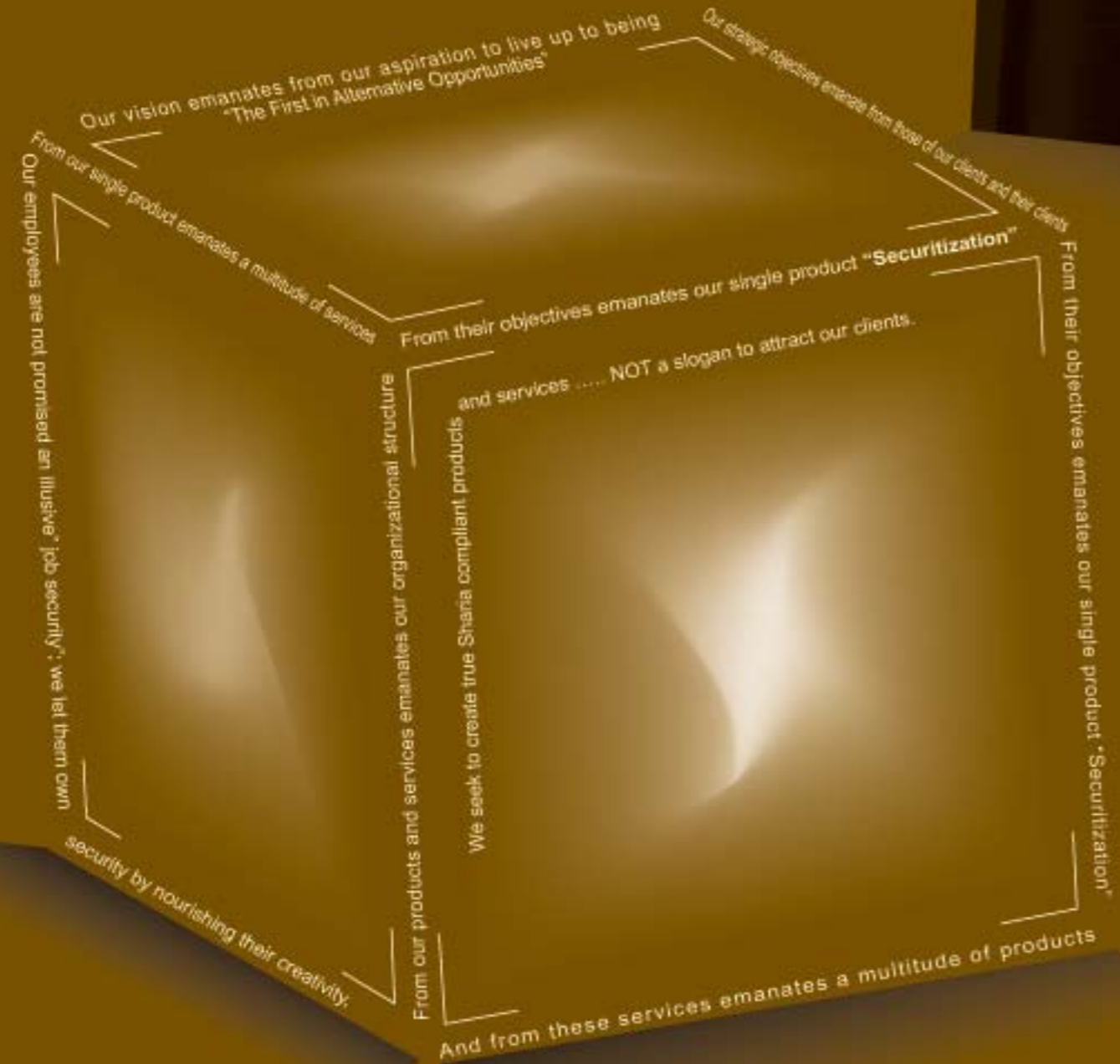
circles were not limited to shedding light on Rasameel as a specialized company; rather, they included widening the network of the Company's relations with renowned institutions and high-net-worth individuals on regional and international levels.

Chief among the events with which Rasameel organized is The First Securitization Forum in Kuwait under the sponsorship of Minister of Commerce and Industry and a handful of experts, investors and mega institutions to cast light on securitization environment in Kuwait in particular, and Islamic financial services industry in general.

Rasameel ... Challenges and the future

Challenges are normal for any financial institution that pays diligent heed to the soundness of its financial position and its shareholders' equities. Thus, the forthcoming period will witness our focus on the operational bases and participating in setting the legal and organizational frameworks that enable us to expand in securitization activities and structure finance activities on the local level in particular and in GCC countries in general.

On the international level, we will strive through participation in international circles and our relations with mega international institutions to solicit innovative investment opportunities and to open new vistas of investment for the ultimate benefit of the Company through our participation and our vision in establishing a parallel market for investment and our mission to be one of investment pioneers in the region. Moreover, we will support our participation in developing Islamic investment industry as well as the national economy.



Rasameel's Products

Rasameel's single product leads to the provision of inclusive and derivative services from which stems many derivative products.

And hence our assertion reiterated here is that: From Rasameel's single product emanates a multitude of services and from these services emanates a multitude of products. Rasameel's "Strategic Cycle" is self generating, self regenerating and self preserving.

Rasameel's Services

Rasameel's inclusive and derivative services and derivative products are enumerated below.

1. *Asset Acquisition*
 - Asset sourcing
 - Asset Due Diligence

The aim of our due diligence process is not to render detached independent opinions but to uncover the "asset potential".

2. *Asset Structuring*

This service represents the core and foremost strategic capability of Rasameel it consist of the following:

- Advisory structuring services
- Fund Structuring
- Sukuk Structuring
- Structuring of asset backed securities
- Mergers, de-mergers, Spin-offs and acquisitions
- Listing of companies and vehicles on appropriate stock exchanges

3. *Asset Marketing*
4. *Asset Trading*
5. *Asset Administration*

Sercuritization Benefits

Benefits to our fund seeking clients:

1. Diversification of their funding sources which translate into a number of benefits including:
 - Reducing their funding risk
 - Reducing their cost of funds
2. Enhancing their financial structure through the following:
 - Improving their financial ratios
 - Improving their asset and liability management process
 - Insulating their susceptibility to market rate fluctuation risks

Benefits to our investors:

1. The securitization of the assets by the fund seekers enables investors to make their investment decisions independently of their credit standing.
2. It offers them an investment outlet previously restricted to only a few companies.
3. It spreads and diversifies their exposure.

**Rasameel Structured Finance Company K.S.C. (Closed)
and Subsidiaries**

**CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2007**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
RASAMEEL STRUCTURED FINANCE COMPANY K.S.C. (CLOSED)**

We have audited the accompanying first consolidated financial statements of Rasameel Structured Finance Company K.S.C. (Closed) and its subsidiaries (the group), which comprise consolidated balance sheet as at 31 March 2007 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the period from 4 January 2006 (date of the incorporation) to 31 March 2007, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 March 2007 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on Other Legal and Regulatory Matters

In our opinion proper books of account have been kept by the parent company and the consolidated financial statements, together with the contents of the report of the parent company's board of directors relating to these consolidated financial statements, are in accordance therewith. Furthermore, we report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the parent company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the period ended 31 March 2007 that might have had a material effect on the business of the group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations during the period ended 31 March 2007.



**WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG**

9 May 2007 - Kuwait

**Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED INCOME STATEMENT
Period from 4 January 2006 to 31 March 2007**

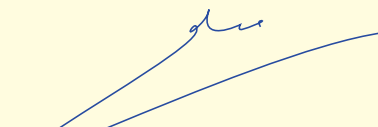



	Notes	KD
Arrangement and advisory fees		381,029
Wakala income		1,353,208
Tawarruq income		496,332
Murabaha income		163,526
Murabaha investment income		39,123
Unrealized loss on investments carried at fair value through income statement		(13,417)
Gain on sale of investments carried at fair value through income statement		9,762
Income from held to maturity investments		31,721
Income from saving accounts		303,571
Dividend income		34,250
Other income		68,845
General and administrative expenses		(1,489,636)
Provision for impairment	3	(150,170)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS) AND DIRECTORS' REMUNATION		1,228,144
Contribution to Kuwait Foundation for the Advancement of Sciences		(11,053)
Directors' remuneration	4	(7,000)
PROFIT FOR THE PERIOD	5	1,210,091

The attached notes 1 to 11 form part of these consolidated financial statement

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED BALANCE SHEET
At 31 March 2007

	Notes	KD
ASSETS		
Cash and cash equivalents	6	13,793,151
Accounts receivable and prepayments	7	171,917
Tawarruq receivables	8	2,971,800
Wakala receivables	9	11,895,113
Investments carried at fair value through income statement	10	676,713
Investment property	11	199,475
Available for sale investments	12	346,904
Held to maturity investments	13	1,203,911
Furniture and equipment	14	276,186
TOTAL ASSETS		31,535,170
EQUITY AND LIABILITIES		
EQUITY		
Share capital	15	30,000,000
Statutory reserve	16	122,814
Share options reserve	17	7,510
Retained earnings		1,087,277
Total equity		31,217,601
Liabilities		
Accounts payable and accruals	18	221,281
Employees' end of service benefits		96,288
Total liabilities		317,569
TOTAL EQUITY AND LIABILITIES		31,535,170


Mansour Hamad Al-Mubarak
Chairman


Issam Zaid Al-Tawari
Vice Chairman – Chief Executive Officer

The attached notes 1 to 22 form part of these consolidated financial statement

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED CASH FLOW STATEMENT
Period from 4 January 2006 to 31 March 2007

	Note	KD
OPERATING ACTIVITIES		
Profit for the period		1,210,091
Adjustments for:		
Wakala income		(1,353,208)
Tawarruq income		(496,332)
Murabaha income		(163,526)
Income from held to maturity investments		(31,721)
Dividend income		(34,250)
Provision for impairment		150,170
Depreciation		47,145
Share based payment expense		7,510
Provision for employees' end of service benefits		96,288
		(567,833)
Operating assets and liabilities:		
Investment at fair value through income statement		(876,188)
Wakala receivables		(12,000,000)
Tawarruq receivables		(3,000,000)
Accounts receivable and prepayments		(118,397)
Accounts payables and accruals		221,281
Cash used in operations		(16,341,137)
Wakala income received		1,337,943
Tawarruq income received		494,515
Murabaha income received		163,526
Net cash used in operating activities		(14,345,153)
INVESTING ACTIVITIES		
Purchase of furniture and equipment		(323,331)
Purchase of held to maturity investments		(1,203,911)
Purchase of available for sale investments		(346,904)
Dividend income received		12,450
Net cash used in investing activities		(1,861,696)
FINANCING ACTIVITIES		
Issue of share capital		30,000,000
Net cash from financing activities		30,000,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	13,793,151

The attached notes 1 to 22 form part of these consolidated financial statement

Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period from 4 January 2006 to 31 March 2007

	Share capital KD	Statutory reserve KD	Share options reserve KD	Retained earnings KD	Total KD
Issue of share capital	30,000,000	-	-	-	30,000,000
Profit and total income for the period	-	-	-	1,210,091	1,210,091
Cost of share based payment	-	-	7,510	-	7,510
Transfer to statutory reserve	-	122,814	-	(122,814)	-

At 31 March 2007	30,000,000	122,814	7,510	1,087,277	31,217,601
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Rasameel Structured Finance Company K.S.C. (Closed) and Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
At 31 March 2007



1- ACTIVITIES

Rasameel Structured Finance Company K.S.C. (Closed) (the parent company) is a closed shareholding company incorporated on 4 January 2006 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. It is engaged in investments in the local and international markets.

The registered office of the parent company is located on the 13th Floor, Ahmed Tower, Gulf Road, Dasman, Sharq, P.O. Box 4915, Safat 13050, Kuwait.

These consolidated financial statements for the period ended 31 March 2007 were authorised for issue in accordance with a resolution of the directors on 9 May 2007.

These consolidated financial statements cover the period from the date of incorporation on 4 January 2006 till 31 March 2007. The parent company is regulated by the Central Bank of Kuwait as an investment company.

2- SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Rasameel Structured Finance Company K.S.C.C and Subsidiaries have been prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the Central Bank of Kuwait. These regulations require adoption of all International Financial Reporting Standards (IFRS) except for the IAS 39 requirement for collective provision, which has been replaced by the Central Bank of Kuwait's requirement for a minimum general provision as described below.

The impairment provision for finance facilities complies in all material respects with the specific provision requirements of the Central Bank of Kuwait and IFRS. In March 2007, the Central Bank of Kuwait issued a circular amending the basis of making general provisions on facilities changing the rate from 2% to 1% for cash facilities and 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain restricted categories of collateral during the reporting period.

The consolidated financial statements are presented in Kuwaiti Dinars.

IASB Standard and Interpretation issued but not adopted

The following IASB Standard has been issued but is not yet mandatory, and has not yet been adopted by the group:

- IFRS 7 "Financial Instruments: Disclosures"
- IFRIC Interpretation 8 Scope of IFRS 2

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to consolidated financial instruments and associated risks. The application of IFRIC 8, which is also effective for 2007, is not expected to have a material impact on the consolidated financial statements of the group.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting convention

The consolidated financial statements are prepared under the historical cost convention, as modified for the measurement at fair value of available for sale investments and investments carried at fair value through income statement.

The significant accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the parent company and its subsidiaries stated below. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

During the period, the parent company established the following three Kuwaiti companies which are included in the consolidated financial statements.

Details of subsidiaries included in the consolidated financial statements are set out below:

Name of the company	Country of incorporation	Interest in equity % 2007	Principal activities
Rasameel Central Markets Company - K.S.C.C	Kuwait	100	General trading
Rasameel General Trading & Contracting Company – W.L.L.	Kuwait	100	General trading and contracting activities
Haikala for Economical Studies - W.L.L.	Kuwait	100	Consultancy services

The financial statements of the above subsidiaries are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Arrangement and advisory fees are recognised when the related services are provided.

Wakala, tawarruq and murabaha income are recognised on a time proportion basis so as to yield a constant periodic rate of return based on the net balance outstanding.

Dividends are recognised when the right to receive payment is established.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash in hand, bank balances and murabaha investments with an original maturity of three months or less.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Tawarruq receivables

Tawarruq receivables represent amounts receivable on a deferred settlement basis for commodities sold under Mudaraba arrangements. Tawarruq receivables are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment.

Wakala receivables

Wakala receivables comprise amounts invested with financial institutions for the onward deals by these institutions in various Islamic investment products.

Wakala receivables are stated at the gross amount of the receivable, net of deferred profit receivable and provision for impairment. Profit receivable is recognised on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Murabaha receivables

Murabaha is an Islamic transaction involving the purchase and immediate sale of an asset at cost plus an agreed profit. The amount due is settled on a deferred payment basis. Where the credit risk of the transaction is attributable to a financial institution, the amount due is classified as a murabaha investment. Where the credit risk is attributable to a party other than a financial institution, the amount due is classified as a murabaha receivable.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Murabaha receivables which arise from the group's financing of long-term transactions on an Islamic basis are classified as murabaha receivables originated by the group and are carried at the principal amount less impairment. Third party expenses such as legal fees, incurred in granting a murabaha are treated as part of the cost of the transaction.

Investments carried at fair value through income statement

All investments are initially recognised at fair value. Transaction costs are expensed immediately. After initial recognition, investments are re-measured at fair value. Unrealised gains and losses are included in the consolidated income statement.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the period in which they arise.

Available for sale investments

Available for sale investments are recognised and derecognised, on a trade date basis, when the group becomes, or ceases to be, a party to the contractual provisions of the instrument. Investments designated as available for sale investments are initially recorded at cost (including transactions costs that are directly attributable to the acquisition or issue) and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair value" within equity is included in the consolidated income statement for the period.

Held to maturity investments

Held to maturity investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the group has the positive intention and ability to hold to maturity. After initial measurement held to maturity investments are measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective profits method of any difference between the initially recognised amount and the maturity amount, less allowance for impairment.

This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in the consolidated income statement when the investments are derecognised or impaired, as well as through the amortisation process.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset, or group of financial assets, may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated income statement;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective rate.

For available for sale equity instruments reversal of impairment losses are recorded as increase in cumulative change in fair value through equity.

The provision for impairment of receivables also covers losses where there is objective evidence that probable losses are present in components of the receivables at the balance sheet date. These have been estimated based on historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

In addition, in accordance with Central Bank of Kuwait instructions, a general provision of 1% for cash facilities and 0.5% for non cash facilities net of certain restricted categories of collateral, to which Central Bank of Kuwait instructions are applicable and not subject to specific provision, is made.

Impairment of non financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated income statement.

Recognition and derecognition of financial assets and liabilities

A financial asset or a financial liability is recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to cash flows from the financial asset expire, the group has transferred substantially all the risks and rewards and when it has neither transferred nor retained substantially all the risks and rewards of ownership or when it no longer has control over the asset or proportion of the asset. A financial liability is de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment

Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of furniture and equipment as follows:

Leasehold improvements	- over 4 years
Furniture and fixtures	- over 4 years
Equipment	- over 3 years
Computer software	- over 3 years

The carrying values of furniture and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Share-based payment transactions

Employees of the group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes Option Pricing model, of which further details are given in note 17. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the parent company's shares.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees exercise their rights. The cumulative expense recognised for equity-settled transactions at each reporting date until the exercise date reflects the extent to which the exercise period has expired and the number of awards that, in the opinion of the directors at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits

The group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to Kuwaiti employees, the group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The group's obligations are limited to these contributions, which are expensed when due.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Fiduciary assets

Assets held in trust or fiduciary capacity are not treated as assets or liabilities of the group and accordingly are not included in these consolidated financial statements.

Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Significant accounting judgments and estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgments and estimates principally in, but not limited to, the classification of investments and real estate property, the determination of impairment provisions, the valuation of unquoted investments and investment properties and the estimation of the fair value of equity settled share options.

Classification of investments

The group decides on acquisition of investments whether they should be classified as investments carried at fair value through income statement, held to maturity investments or available for sale investments.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

The management classifies investments as carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making and the fair value of those investments can be reliably determined.

Classification of investments as fair value through income statement depends on how management monitor the performance of these investments when they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

The management classifies investments as held to maturity if they are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the management has the positive intention and ability to hold to maturity.

All other investments are classified as available for sale.

Classification of real estate property

Management decides on acquisition of a real estate property whether it should be classified as trading, property held for development or investment property.

The management classifies property as trading property if it is acquired principally for sale in the ordinary course of business.

The management classifies property as property under development if it is acquired with the intention of development.

The management classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Impairment provision of investments

The group treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgement.

In addition, the group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Impairment provision of receivables

An estimate of the collectible amount of receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on finance facilities

The management decides whether a provision for impairment should be recorded in the consolidated income statement. Based on its assessment for recoverability, considerable judgement is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same;
- an earnings multiple;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Valuation of investment properties

For investment properties, fair value is determined by independent, registered, real estate assessors or by reference to recent transactions in similar properties.

Estimation of the fair value of equity settled options

The management estimates the fair value of equity settled options and life of the options using considerable judgment, valuation models and assumptions that are not supported by observable market conditions and prices at the balance sheet date. Details of inputs assumptions to the model used are disclosed in Note 17.

Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently differences can arise between carrying values and the fair value estimates.

2- SIGNIFICANT ACCOUNTING POLICIES (continued)

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, or an earnings multiple, or an industry specific earnings multiple, or a value based on a similar publicly traded company, or is based on the expected cash flows of the investment, or the underlying net asset base of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Investment properties

For investment properties, fair value is determined by independent, registered, real estate assessors or by reference to recent transactions in similar properties.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

3- PROVISION FOR IMPAIRMENT

Wakala and Tawarruq receivables are stated net of a general provision for impairment as follows:

	<i>Wakala receivables</i>	<i>Tawarruq receivables</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Provision charged during the period	120,153	30,017	150,170
Balance at the end of the period	120,153	30,017	150,170

The policy of the group for calculation of the provision for impairment complies in all material respects with the specific and general provision requirements of Central Bank of Kuwait. In this respect the Central Bank of Kuwait requires a general provision of 1% for cash facilities and 0.5% for non cash facilities, net of certain restricted categories of collateral, not subject to specific provision. The analysis of and provision set out above is based on the requirements of the Central Bank of Kuwait

4- DIRECTORS' REMUNERATION

Directors' remuneration of KD 7,000 is within the amount permissible under local regulations and is subject to the approval of the annual general assembly of the shareholders of the parent company.

5- PROFIT FOR THE PERIOD

Profit for the period is stated after charging:

Staff costs
 Rent
 Depreciation

*Period from
 4 January
 to 31 March 2007
 KD*

856,484
145,527
47,145

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated balance sheet and consolidated cash flow statement consist of the followings:

	31 March 2007 KD
Bank balances and cash	1,787,014
Short term murabaha investments	12,006,137
	<u>13,793,151</u>

Average profit rate attributable to murabaha investments is 5.06% per annum.

7 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 March 2007 KD
Amounts due from related parties (Note 19)	19,339
Accrued income	105,867
Other receivables	46,711
	<u>171,917</u>

8- TAWARRUQ RECEIVABLES

	31 March 2007 KD
Gross amount	3,057,584
Less: deferred income	(55,767)
	<u>3,001,817</u>
Less: provision for impairment	(30,017)
	<u>2,971,800</u>

Average profit rate attributable to tawarruq receivables during the period was 7.38% per annum. The fair values of tawarruq receivables do not materially differ from their carrying values as they are short term in nature.

9- WAKALA RECEIVABLES

	31 March 2007 KD
Gross amount	12,294,740
Less: deferred income	(279,474)
	<u>12,015,266</u>
Less: provision for impairment	(120,153)
	<u>11,895,113</u>

Average profit rate attributable to wakala receivables is 8.3% per annum. The fair values of wakala receivables do not materially differ from their carrying values as they are short term in nature.

10- INVESTMENTS CARRIED AT FAIR VALUE THROUGH INCOME STATEMENT

	31 March 2007 KD
Quoted equity securities	386,813
Unquoted equity security	289,900
	<u>676,713</u>

Unrealised loss on revaluation of investments carried at fair value through income statement includes unrealised gain of KD 67,175 relating to unquoted equity security which is resulting from fair value assessment using recent arm's length market transactions relating to the investment, as advised by a related party that markets this investment.

11- INVESTMENT PROPERTY

Investment property represents investment in a newly incorporated real estate portfolio which is carried at cost. The management is of the opinion that the carrying value of this investment approximates its cost.

12- AVAILABLE FOR SALE INVESTMENTS

	31 March 2007 KD
Unquoted equity securities	346,904

Available for sale investments are carried at cost due to the non availability of quoted market prices or reliable measures of its fair value. The management does not have evidences or circumstances that indicate any impairment in the value of these investments at the balance sheet date.

13- HELD TO MATURITY INVESTMENTS

Held to maturity investments represent investments in sukouk issued in 2006 by a local company and will mature in 2011. The profit rate attributable to these sukouk is 2% per annum above LIBOR rate payable semi annually.

14- FURNITURE AND EQUIPMENT

	<i>Leasehold improvements KD</i>	<i>Furniture and fixtures KD</i>	<i>Equipment KD</i>	<i>Computer software KD</i>	<i>Total KD</i>
Cost					
Additions during the period	101,849	135,007	48,589	37,886	323,331
At 31 March 2007	<u>101,849</u>	<u>135,007</u>	<u>48,589</u>	<u>37,886</u>	<u>323,331</u>
Depreciation					
Charge for the period	14,046	19,661	8,793	4,645	47,145
At 31 March 2007	<u>14,046</u>	<u>19,661</u>	<u>8,793</u>	<u>4,645</u>	<u>47,145</u>
Net carrying amount					
At 31 March 2007	<u>87,803</u>	<u>115,346</u>	<u>39,796</u>	<u>33,241</u>	<u>276,186</u>

15- SHARE CAPITAL

The authorised, issued and fully paid up share capital as of 31 March 2007 comprised 300,000,000 shares of 100 fils each.

16- STATUTORY RESERVE

As required by the Law of Commercial Companies and the parent company's articles of association, 10% of the profit for the period before contribution to Kuwait Foundation for the Advancement of Sciences and Directors' remuneration has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve totals 50% of the issued share capital.

Distribution of the statutory reserve is limited to the amount required to enable the payment of a dividend of 5% of paid-up share capital in periods when retained earnings are not sufficient for the payment of a dividend of that amount.

17- SHARE BASED PAYMENT SCHEME

The parent company operates an employees' share option scheme as explained in its Articles of Association, with the first fiscal period being 2006 - 2007. Under this scheme the parent company can increase its share capital up to 10% of the total shares outstanding within a period of 10 years from the date of incorporation as approved by the board of directors. These options will expire in 2016.

On 15 March 2007, the board of directors of the parent company granted 15 million share options to its employees. Included in this number of share options is 13,498,000 shares options granted at an exercise price of 105 fils per share for which no cost was recognised in the consolidated financial statements as the exercise price equals the fair value of equity instruments granted arrived at using valuation technique at the grant date. The remaining 1,502,000 share options were granted at 100 fils per share for which an expense of KD 7,510 was recorded in the consolidated financial statements.

The options outstanding at 31 March 2007 had a weighted average exercise price of 104.5 and a remaining contractual life of options close to 10 years. All options had vested as at 31 March 2007. The fair value of equity settled share options granted was estimated as at the date of grant using the Black-Scholes Option Pricing model, taking into account the terms and conditions upon which the options were granted. There were no options exercised during the period.

The expected life of the options is based on management estimate and is not necessarily indicative of exercise patterns that may occur. The expected volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The fair value of share price was estimated using a valuation technique based on assumptions that were not supported by observable market prices or rates.

The following table lists the inputs assumptions to the model used for the period ended 31 March 2007:

	31 March 2007
Expected volatility (%)	25
Risk –free interest rate (%)	6.25
Expected life of options (years)	10
Weighed average share price (fils)	104.5
Discounting method	Continuously compounded rate
Model used	Black-Scholes

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

18- ACCOUNTS PAYABLE AND ACCRUALS

	31 March 2007 KD
Accrued expenses	198,577
Other payables	22,704
	221,281

19- RELATED PARTY TRANSACTIONS

These represent transactions with related parties, i.e. shareholders, directors and senior management of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	<i>Major shareholders</i>	<i>Other related parties</i>	<i>31 March 2007</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Wakala income	312,016	59,178	371,194
Tawarruq income	-	1,479	1,479
Unrealised loss on investments carried at fair value through income statement	(17,429)	67,175	49,746
Gain on sale of investments carried at fair value through income statement	-	10,918	10,918
Dividend income	9,960	1,000	10,960

Balances with related parties included in the consolidated balance sheet are as follows:

	<i>Major shareholders</i>	<i>Other related parties</i>	<i>Period from 4 January to 31 March 2007</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
Investments carried at fair value through income statement	298,526	289,900	588,426
Wakala receivables	4,002,712	-	4,002,712
Amounts due from related parties (Note 7)	18,559	780	19,339

Key management compensation

Short-term employee benefits
 Provision for management executive bonus
 End of service benefits

*2007
KD*
452,459
133,685
74,039

20- FIDUCIARY ASSETS

The group manages accounts on behalf of others which are not reflected in group's consolidated balance sheet.

The aggregate value of assets held in a fiduciary capacity by the group at 31 March 2007 amounted to KD 7 Million.

21- RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group credit policy and exposure to credit risk is monitored on an ongoing basis. The group seeks to avoid undue concentrations of risks with individuals or groups of customers in specific locations or business through diversification of lending activities. In addition, the group deals with creditworthy financial institutions and has policies and procedures in place to limit the amount of credit exposure to any counter party.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due.

To limit this risk, assets are managed with liquidity in mind and management monitors liquidity on a regular basis by maintaining a healthy bank balance and ensuring sufficient funds are available from the lenders and related parties.

Equity price risk

Equity price risk arises from the change in fair values of equity investments. Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Other than the held to maturity investment, which is denominated in US dollars, the other financial instruments are carried in Kuwaiti Dinars. The group seeks to limit its exposure by diversifying its investments across different currencies.

22- FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of cash, bank balances, short term murabaha investments, investments and receivables. Financial liabilities consist of payables and accrued expenses.

The fair values of financial instruments are not materially different from their carrying values.